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Page: 1

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PAGE 01 BOGOTA 06906 01 OF 06 051908Z RELEASED IN FULL  
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AMEMBASSY PANAMA PRIORITY  
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SECDEF WASHDC PRIORITY

UNCLAS SECTION 01 OF 06 BOGOTA 006906

UNCLASSIFIED

PAGE 02 BOGOTA 06906 01 OF 06 051908Z  
C O R R E C T E D C O P Y - TEXT ON SECTION 04

STATE PLS PASS USTR ZOELICK  
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E.O. 12958: N/A  
TAGS: PREL, OVIP, SNAR, ECON, PGOV, ETRD, PHUM, CO  
SUBJECT: SCENESETTER: NEW CHALLENGES AND OPPORTUNITIES FOR  
COLOMBIA

Current Class: UNCLASSIFIED

Page: 1

UNCLASSIFIED

1. SUMMARY. THE URIBE ADMINISTRATION WILL BE TAKING OFFICE AMIDST GREAT EXPECTATIONS. URIBE'S FIRST ROUND VICTORY WAS FUELED BY THE POPULATION'S DESIRE TO INCREASE SECURITY AND END THE LONG-STANDING CONFLICT WITH GUERRILLA AND PARAMILITARY GROUPS. THE URIBE CAMP IS POSITIONING ITSELF TO INCREASE GOVERNMENT PRESENCE THROUGHOUT THE COUNTRY, NOT ONLY IN SECURITY TERMS BUT ALSO IN BASIC SERVICES. THEY PLAN TO ARTICULATE THIS VISION IN A PUBLICLY DISSEMINATED NATIONAL SECURITY STRATEGY, WHICH THEY WILL SEEK TO FINANCE THROUGH THE ISSUANCE OF WAR BONDS AND INCREASED TAX COLLECTION. URIBE AND HIS TEAM ARE COMMITTED TO A STRENGTHENED COUNTERNARCOTICS PROGRAM (INCLUDING AGGRESSIVE AERIAL SPRAYING) THAT IS TIED INTO AN OVERALL COUNTER-TERRORISM STRATEGY. THEY ALSO ARE FOCUSING ON STRUCTURAL REFORMS, BUT FACE MANY OBSTACLES, INCLUDING A STRUGGLING ECONOMY, INCREASED GUERRILLA AND PARAMILITARY VIOLENCE AND AN UNCERTAIN MAJORITY IN CONGRESS. THE USG REMAINS DEEPLY ENGAGED IN COLOMBIA AND THE URIBE ADMINISTRATION HAS

UNCLASSIFIED

PAGE 03                   BOGOTA 06906 01 OF 06 051908Z  
DEMONSTRATED ITS DESIRE TO STRENGTHEN THIS RELATIONSHIP. IT WELCOMES THE ENHANCED ATPA BENEFITS, AND SEEKS TO IMPROVE THE INVESTMENT CLIMATE TO ATTRACT FOREIGN INVESTMENT. THERE ARE, HOWEVER, PENDING INVESTMENT, IPR AND AGRICULTURAL RESTRICTIONS THAT ARE OF CONCERN. END SUMMARY.

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URIBE TAKES OVER  
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2. PRESIDENT-ELECT URIBE WILL BE TAKING OVER THE RESPONSIBILITY FOR LEADING A COUNTRY SEEKING TO FIND ITS WAY OUT OF A SERIOUS CRISIS WITH SECURITY, HUMAN RIGHTS, NARCOTICS, DEVELOPMENT, AND ECONOMIC ELEMENTS. IN THE MAY 26 ELECTION, HE WON A RESOUNDING MAJORITY (52 PCT, WITH HIS NEAREST OPPONENT 20 POINTS BEHIND HIM). AT THE HEART OF HIS CAMPAIGN WAS A PROMISE TO RESTORE "DEMOCRATIC SECURITY" TO A COUNTRY THOROUGHLY SICK OF CONTINUED ATTACKS BY COLOMBIA'S GUERRILLAS (WHO ARE AT LEAST NOMINALLY MARXIST IN IDEOLOGY, AND WHO, DESPITE INFINITESIMAL PUBLIC SUPPORT, HAVE FLOURISHED WITH THE PROFITS FROM PROTECTING, AND IN SOME CASES DIRECTLY INVOLVING THEMSELVES, IN ILLEGAL NARCOTICS PRODUCTION AND TRAFFICKING). URIBE, WHO RAN AS AN INDEPENDENT, HAS ALSO PROMISED TO REFORM COLOMBIA'S POLITICAL SYSTEM, LONG DOMINATED BY "MACHINE"-STYLE DEAL MAKING AND A HIGH LEVEL OF CORRUPTION. HE HAS NAMED HIS CABINET, WHICH IS DOMINATED BY TECHNOCRATS, AND HAS LITTLE OF THE REGIONAL, PARTY, OR FACTIONAL BALANCING WHICH HAS TRADITIONALLY

Current Class: UNCLASSIFIED UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 3

Channel: n/a

CHARACTERIZED COLOMBIAN GOVERNMENTS. IN RECENT MEETINGS  
WITH THE NEW CONGRESSIONAL LEADERSHIP, URIBE HAS TAKEN UP HIS  
CAMPAIGN PLEDGE TO REFORM THE CONGRESS.

UNCLASSIFIED

PAGE 04 BOGOTA 06906 01 OF 06 051908Z

3. PRESIDENT-ELECT URIBE AND HIS TEAM ARE MOST CONCERNED  
WITH HONORING HIS CAMPAIGN PLEDGE TO INCREASE SECURITY. THEY  
ARE LOOKING AT WAYS OF INCREASING PHYSICAL SECURITY AS A  
PRIORITY, BUT THEY HOPE TO CREATE AN OVERARCHING STRATEGY  
THAT NOT ONLY INCREASES PHYSICAL SECURITY BUT ALSO INCREASES  
GOVERNMENT PRESENCE AND SERVICES THROUGHOUT THE COUNTRY.  
URIBE AND HIS CABINET ALSO SEE OVERALL ECONOMIC SECURITY AND  
STABILITY AS AN IMPORTANT ELEMENT OF THIS STRATEGY. TO  
FINANCE THEIR STRATEGY, THEY WILL ATTEMPT TO INCREASE TAX  
COLLECTION, THROUGH BOTH THE CREATION OF A WAR BOND AND  
INCREASED ENFORCEMENT TO LOWER COLOMBIA'S WIDESPREAD TAX  
EVASION.

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PASTRANA'S LEGACY  
-----

4. OUTGOING PRESIDENT ANDRES PASTRANA STAKED HIS PRESIDENCY  
ON HIS QUEST TO ACHIEVE PEACE WITH COLOMBIA'S INSURGENTS.  
WITH THE FAILURE OF THESE TALKS AFTER THE ARMED REVOLUTIONARY  
FORCES OF COLOMBIA (FARC) HIJACKED A CIVILIAN AIRCRAFT IN  
APRIL, PASTRANA ORDERED THE ARMY TO RETAKE THE SAFE HAVEN  
GRANTED TO THE FARC IN 1999. PEACE DISCUSSIONS WITH THE  
NATIONAL LIBERATION ARMY (ELN), WHICH AT TIMES HAD APPEARED  
PROMISING, BUT WHICH NEVER REACHED A CONCLUSION, WERE BROKEN  
OFF SHORTLY THEREAFTER. SINCE APRIL, INSURGENT ACTIVITY HAS  
CONTINUED MORE OR LESS AS BEFORE, WITH INTERMITTENT SPASMS OF  
VIOLENCE. COLOMBIA'S ARMED FORCES HAVE IMPROVED CONSIDERABLY  
IN RECENT YEARS, AND HAVE BEEN ABLE TO TAKE THE OFFENSIVE ON

UNCLASSIFIED

PAGE 05 BOGOTA 06906 01 OF 06 051908Z

UNCLASSIFIED

UNCLASSIFIED PTQ8165

PAGE 01 BOGOTA 06906 02 OF 06 051910Z  
ACTION WHA-00

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Current Class: UNCLASSIFIED

Page: 3

UNCLASSIFIED

UNCLASSIFIED

Current Class: UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 4

Channel: n/a

CEA-01	CIAE-00	COME-00	CTME-00	INL-00	DEAE-00	DINT-00
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UNCLAS SECTION 02 OF 06 BOGOTA 006906

C O R R E C T E D C O P Y - TEXT ON SECTION 04  
UNCLASSIFIED

PAGE 02 BOGOTA 06906 02 OF 06 051910Z

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COLOMBIA

A NUMBER OF OCCASIONS, ALTHOUGH IT IS DIFFICULT FOR THEM TO  
SUSTAIN PROLONGED OFFENSIVE OPERATIONS.

5. ANOTHER ELEMENT OF COLOMBIA'S VIOLENCE IS THE "UNITED  
SELF-DEFENSE FORCES OF COLOMBIA," (SPANISH INITIALS AUC),  
ALSO KNOWN AS "THE PARAMILITARIES." A FUSION OF VIGILANTES  
PROTECTING RURAL LAND OWNERS AND SECURITY FORCES EARLIER PUT  
TOGETHER BY COLOMBIA'S DRUG DEALERS, THEY HAVE GROWN IN SIZE  
AND HAVE ENGAGED THE GUERRILLAS MILITARILY, WHILE TRYING TO

Current Class: UNCLASSIFIED

Page: 4

UNCLASSIFIED

DEVELOP SOME MEASURE OF POLITICAL IDENTITY AND LEGITIMACY. LIKE THE GUERRILLAS, THEY ARE INTIMATELY INVOLVED IN THE NARCOTICS TRADE. ALTHOUGH MOST COLOMBIANS ARE OPPOSED TO PARAMILITARISM, THE ABSENCE OF POLICE AND MILITARY PRESENCE IN MANY AREAS MAKES THEM APPEAR TO SOME AS THE LESSER OF TWO EVILS. BOTH THE PARAMILITARIES AND THE GUERRILLAS ARE RESPONSIBLE FOR COLOMBIA'S DISMAL HUMAN RIGHTS PICTURE, WHICH INCLUDES LARGE-SCALE MASSACRES, TARGETED ASSASSINATIONS, AND THE DISPLACEMENT OF FEARFUL RURAL POPULATIONS INTO EVER MORE CROWDED URBAN AREAS.

UNCLASSIFIED

PAGE 03 BOGOTA 06906 02 OF 06 051910Z

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PLAN COLOMBIA: PROGRESS AND PROBLEMS IN FIRST YEAR  
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6. "PLAN COLOMBIA" WAS DEVELOPED BY COLOMBIA AND SUPPORTED BY THE U.S. BECAUSE OF OUR CONCERN ABOUT THE RAPID INCREASE OF COCA CULTIVATION IN SOUTHERN COLOMBIA (OVER 30 PCT IN 1999-2000). PLAN COLOMBIA'S GOALS INCLUDE INTERDICTION, ERADICATION, ALTERNATIVE DEVELOPMENT, ASSISTANCE TO DISPLACED PERSONS, AND IMPROVING THE COLOMBIAN GOVERNMENT'S CAPACITY TO GOVERN AND PROTECT HUMAN RIGHTS. THE U.S. CONGRESS HAS PROVIDED SUBSTANTIAL RESOURCES FOR THIS EFFORT IN BOTH 2001 AND 2002. IN THE COURSE OF THIS YEAR THESE PROGRAMS, ESPECIALLY COUNTERNARCOTICS SPRAYING AND INTERDICTION IN THE SOUTHERN DEPARTMENTS OF PUTUMAYO AND CAQUETA, WILL PUT INCREASING PRESSURE ON TRAFFICKERS, MAKING SOME OF OUR PROJECTS MORE CONTROVERSIAL. RENEWED SPRAYING SINCE JULY 28 IN THE PUTUMAYO REGION HAS BEEN SUCCESSFUL (2,300 HECTARES SPRAYED IN THREE DAYS). THIS EFFORT HAS BEEN ACCOMPANIED BY INCREASED INTERDICTION BY THE COUNTER-DRUG BRIGADE, SUPPORTED BY COLAR HELICOPTERS, AIMED AT DISMANTLING THE FARC'S DRUG TRAFFICKING INFRASTRUCTURE AND PROVIDING ADDED SECURITY FOR THE SPRAY AIRCRAFT. IN 2002, 61,742 HECTARES OF COCA AND 1,836 HECTARES OF POPPY HAVE BEEN SPRAYED. PRESIDENT-ELECT URIBE HAS ASSURED HIS ADMINISTRATION'S SUPPORT FOR CONTINUED AGGRESSIVE SPRAYING.

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ALTERNATIVE DEVELOPMENT  
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UNCLASSIFIED

PAGE 04 BOGOTA 06906 02 OF 06 051910Z

7. (U) AS PART OF PLAN COLOMBIA, EMBASSY ALTERNATIVE

Current Class: UNCLASSIFIED

Page: 5

UNCLASSIFIED

Current Class: UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 6

Channel: n/a

DEVELOPMENT EFFORTS HAVE CONCENTRATED IN PUTUMAYO AND CAQUETA, THE AREAS OF COLOMBIA'S DENSEST COCA CULTIVATION, WITH THE INTENTION OF COMPLEMENTING ERADICATION EFFORTS THERE. IN ADDITION, THE PROGRAM IS NOW FOCUSING ON HELPING TO DEVELOP THE NECESSARY INFRASTRUCTURE IN THESE AREAS AND TO DATE 70 SMALL AND MEDIUM SCALE INFRASTRUCTURE PROGRAMS HAVE BEEN COMPLETED IN PUTUMAYO AND CAQUETA. USAID IS ALSO INTEGRATING THIS PROGRAM WITH A SEPARATE LOCAL GOVERNMENT PROGRAM THAT ASSISTS MUNICIPALITIES THAT AGREE TO ERADICATION. AS OF JULY 2002, USAID HAS HELPED ESTABLISH 4,486 HECTARES OF LICIT CROPS INVOLVING 10,487 FAMILIES IN POPPY AND COCA GROWING AREAS. THE INVESTMENT IN ALTERNATIVE DEVELOPMENT HAS BEEN \$20 MILLION WITH ANOTHER \$50 MILLION UNDERWAY THROUGH FY 2003. INCOMING AGRICULTURAL MINISTER CARLOS CANO HOPES TO RESTRUCTURE THE GOC'S EFFORTS, INCLUDING FUSING THE FOUR SEPARATE GROUPS CURRENTLY INVOLVED INTO ONE AGENCY, TO FOCUS ON WHAT HE CALLS "PREVENTIVE ALTERNATIVE DEVELOPMENT", WHICH WILL SEEK TO KEEP FAMILIES FROM MIGRATING TO THE COCA GROWING AREAS IN SOUTHERN COLOMBIA BY SUPPORTING TRADITIONAL AGRICULTURAL AREAS.

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HUMAN RIGHTS SITUATION GRIM.  
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8. COLOMBIA'S POPULATION, ESPECIALLY IN RURAL AREAS, CONTINUES TO SUFFER ENORMOUSLY FROM THE INTERNAL,

UNCLASSIFIED

PAGE 05            BOGOTA   06906   02 OF 06   051910Z

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UNCLASSIFIED            PTQ8170

PAGE 01            BOGOTA   06906   03 OF 06   051911Z  
ACTION WHA-00

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Current Class: UNCLASSIFIED

Page: 6

UNCLASSIFIED

Current Class: UNCLASSIFIED UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 7

Channel: n/a

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AMEMBASSY CARACAS PRIORITY  
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UNCLAS SECTION 03 OF 06 BOGOTA 006906

C O R R E C T E D C O P Y - TEXT ON SECTION 04  
UNCLASSIFIED

PAGE 02 BOGOTA 06906 03 OF 06 051911Z

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SUBJECT: SCENESETTER: NEW CHALLENGES AND OPPORTUNITIES FOR  
COLOMBIA

COCA-EXACERBATED, CONFLICT. THE NUMBER OF PARAMILITARY  
MASSACRES HAS DECLINED, PROBABLY DUE TO AUC PARAMILITARY  
LEADER CARLOS CASTANO'S EFFORTS SINCE JANUARY TO GAIN  
POLITICAL CREDIBILITY FOR THE AUC BY SUSPENDING MASS  
KILLINGS. HOWEVER, HUMAN RIGHTS GROUPS CONTINUE TO REPORT A  
LARGE, BUT UNCOUNTED, NUMBER OF EXTRAJUDICIAL KILLINGS BY  
BOTH PARAMILITARY AND GUERRILLA GROUPS. BOTH ILLEGAL ARMED  
GROUPS ALSO CONTINUE TO ENGAGE IN DISPROPORTIONATE AND  
INDISCRIMINATE USE OF FORCE IN COMBAT, RESULTING IN MASSIVE  
DISPLACEMENTS OR (AS IN THE CASE OF THE MAY 2 BOJAYA  
MASSACRE) NUMEROUS DEATHS OF CIVILIANS. MANY OBSERVERS HAVE  
NOTED THAT DURING 2002, FARC GUERRILLAS APPEAR TO HAVE  
COMMITTED THE LARGEST NUMBER OF VIOLATIONS OF HUMAN RIGHTS  
AND INTERNATIONAL HUMANITARIAN LAW OF ANY ARMED GROUP.  
COLOMBIA'S POPULATION OF INTERNALLY DISPLACED PERSONS HAS  
GROWN AT THE ALARMING RATE OF APPROXIMATELY ONE-QUARTER OF A  
MILLION PEOPLE PER YEAR FOR THE LAST THREE YEARS, AND  
MILLIONS NOW LIVE IN MISERY IN SHANTY TOWNS SURROUNDING MAJOR

Current Class: UNCLASSIFIED

Page: 7

UNCLASSIFIED

CITIES AND TOWNS. CHILDREN OF THE POOR AND THE DISPLACED ARE  
UNCLASSIFIED

PAGE 03 BOGOTA 06906 03 OF 06 051911Z  
PARTICULARLY VULNERABLE TO MALNUTRITION, DISEASE, FORCED  
PROSTITUTION, OR RECRUITMENT BY ILLEGAL ARMED GROUPS.  
GUERRILLA GROUPS CONTINUE TO RELY ON KIDNAPPING AS A SOURCE  
OF REVENUE. THE IMPUNITY RATE FOR HUMAN RIGHTS VIOLATIONS  
COMMITTED BY EITHER THE GUERRILLAS OR THE PARAMILITARIES  
REMAINS HIGH.

9. THE QUESTION OF WHETHER THE COLOMBIAN ARMED FORCES  
CONTINUE TO COLLUDE IN, OR FAIL TO PREVENT, HUMAN RIGHTS  
VIOLATIONS REMAINS A MAJOR HUMAN RIGHTS THEME. COLOMBIAN  
HUMAN RIGHTS GROUPS WERE CRITICAL OF THE RECENT STATE  
DEPARTMENT HUMAN RIGHTS CERTIFICATION THAT THE COLOMBIAN  
STATE WAS TAKING EFFECTIVE MEASURES TO COMBAT HUMAN RIGHTS  
ABUSES COMMITTED BY THE MILITARY AND COLLUSION WITH THE  
PARAMILITARIES. REPORTS OF HUMAN RIGHTS VIOLATIONS COMMITTED  
DIRECTLY BY UNIFORMED MILITARY HAVE DECLINED DRAMATICALLY IN  
RECENT YEARS, BUT HUMAN RIGHTS GROUPS DO NOT CONSIDER THESE  
FIGURES MEANINGFUL, STATING THAT MILITARY-PARAMILITARY  
COLLUSION REMAINS HIGH. WE REMAIN CONVINCED THAT USG  
ASSISTANCE (AND ATTENDANT HUMAN RIGHTS VETTING OF MILITARY  
PERSONNEL BEFORE THEY ARE TRAINED) HAS BEEN AN IMPORTANT TOOL  
IN HELPING THE MILITARY COMMAND TO DISENGAGE FROM THE  
PARAMILITARIES (WHO AT ONE TIME WERE CONSIDERED A FORCE  
MULTIPLIER). THE DEGREE TO WHICH PASSIVE OR ACTIVE COLLUSION  
OCCURS IN THE FIELD IS DIFFICULT TO MEASURE, ALTHOUGH  
AVAILABLE REPORTS SUGGEST A DOWNWARD TREND. INVESTIGATION OF  
HUMAN RIGHTS VIOLATIONS BY THE MILITARY CONTINUES TO BE SLOW,  
PARTICULARLY WHEN SENIOR OFFICERS ARE INVOLVED. THE  
MILITARY ASIDE, IT IS UNDENIABLE THAT MANY ELEMENTS OF  
COLOMBIAN SOCIETY, PARTICULARLY RURAL LANDOWNERS BUT ALSO  
SOME RURAL AND URBAN POOR, SUPPORT THE PARAMILITARIES.

UNCLASSIFIED

PAGE 04 BOGOTA 06906 03 OF 06 051911Z  
COLOMBIAN LAW ENFORCEMENT OFFICIALS, PARTICULARLY SINCE FALL  
2001, HAVE STEPPED UP EFFORTS TO CAPTURE AND PROSECUTE  
PARAMILITARIES AND THEIR SUPPORTERS.

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THE ECONOMY  
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10. HISTORICALLY, COLOMBIA HAD BEEN ONE OF THE DEVELOPING  
WORLD'S MORE SUCCESSFUL ECONOMIES, ENJOYING STEADY GROWTH OF  
FOUR TO FIVE PERCENT, AND CONSTANTLY IMPROVING LEVELS OF



Current Class: UNCLASSIFIED UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 9

Channel: n/a

LITERACY, PUBLIC HEALTH, AND OTHER IMPORTANT INDICATORS. IN RECENT YEARS, THE DETERIORATING SECURITY ENVIRONMENT AND ECONOMIC WEAKNESS, HOWEVER, HAVE REVERSED THESE TRENDS, AND LIFE HAS BECOME HARDER FOR THE AVERAGE COLOMBIAN. IN 1998, COLOMBIA FACED ITS FIRST RECESSION IN 50 YEARS, AND UNEMPLOYMENT SURGED TO ALMOST 21 PCT. GIVEN THAT COLOMBIA'S ECONOMY WAS MORE OPEN THAN IT HAD BEEN BEFORE AND THUS COULD NOT ESCAPE GLOBAL FINANCIAL TURBULENCE, COLOMBIA'S RECESSION WAS AGGRAVATED BY A MAJOR BANKING CRISIS. PASTRANA'S PREDECESSOR, ERNESTO SAMPER, HAD ENGAGED IN FREE SPENDING, WHILE ALLOWING THE PESO TO REMAIN UNSUSTAINABLY STRONG, POLICIES THAT CAME HOME TO ROOST WHEN THE EXTERNAL ENVIRONMENT BECAME UNFAVORABLE.

11. PASTRANA HAD TO PICK UP THE PIECES. AFTER SOME DELAY, HE REACHED AN AGREEMENT WITH THE IMF THAT PROVIDED NECESSARY SUPPORT. THE PESO WAS DEVALUED AND EVENTUALLY ALLOWED TO FLOAT. GOVERNMENT SPENDING WAS REINED IN AND A

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PAGE 05 BOGOTA 06906 03 OF 06 051911Z

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PAGE 01 BOGOTA 06906 04 OF 06 030100Z  
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Current Class: UNCLASSIFIED

Page: 9

UNCLASSIFIED

Current Class: UNCLASSIFIED UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 10

Channel: n/a

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UNCLAS SECTION 04 OF 06 BOGOTA 006906

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PAGE 02 BOGOTA 06906 04 OF 06 030100Z  
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COLOMBIA

REVENUE-ENHANCING TAX REFORM WAS PASSED. THE ECONOMY WAS  
EFFECTIVELY STABILIZED, THE BANKING SYSTEM WAS CLEANED UP,  
AND COLOMBIA MAINTAINED ITS ABILITY TO ACCESS INTERNATIONAL  
CREDIT MARKETS. GROWTH RETURNED IN 2000 AT 2.9 PCT. IT  
CONTINUED IN 2001, BUT AT A SLOWER RATE OF 1.67 PCT. A MAJOR  
FACTOR IN THE SLOWNESS OF THE RECOVERY IS THE LOW RATE OF  
INVESTMENT, BOTH DOMESTIC AND FOREIGN, WHICH MOST OBSERVERS  
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ECONOMY (AND GOVERNMENT FINANCES) TOOK AN UNEXPECTED HIT WHEN  
GUERRILLA ATTACKS SHUT DOWN FOR SEVEN MONTHS THE PIPELINE  
THAT BRINGS TO PORT OIL FROM ONE OF COLOMBIA'S MOST IMPORTANT  
OILFIELDS. WITH THE ECONOMY SLUGGISH, UNEMPLOYMENT REMAINS  
HIGH, AT 16 PCT, AND PROSPECTS ARE DIM FOR ANY RAPID  
REDUCTION.

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TRADE ISSUES  
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12. THE U.S. IS COLOMBIA'S LARGEST TRADING PARTNER, AND  
COLOMBIA WILL BENEFIT FROM THE OPENING OFFERED BY THE  
ENHANCED ANDEAN TRADE PREFERENCE ACT (ATPA). BOTH THE  
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PAGE 03 BOGOTA 06906 04 OF 06 030100Z  
GOVERNMENT AND PRIVATE SECTOR ARE EAGERLY AWAITING THE  
OCTOBER START-UP OF ENHANCED ATPA THAT WILL PROVIDE IMPORTANT  
NEW OPPORTUNITIES IN THE TEXTILE, LEATHER AND PETROLEUM  
SECTORS. THE TEXTILE PRODUCERS OF COLOMBIA ARE PARTICULARLY

Current Class: UNCLASSIFIED

Page: 10

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Document Number: 2002BOGOTA06906

Page: 11  
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EXCITED ABOUT THE POSSIBILITIES OFFERED BY THE NEW  
LEGISLATION.

13. COLOMBIA HAS BEEN AN ACTIVE PARTICIPANT IN THE FREE  
TRADE AREA OF THE AMERICAS PROCESS AND THE WTO. ITS MAIN  
PRIORITIES IN BOTH ARE INCREASED MARKET ACCESS, STRONGER  
DISCIPLINES ON THE USE OF ANTI-DUMPING MEASURES, AND  
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ADMINISTRATION RAISED THE ISSUE OF A FREE TRADE AGREEMENT  
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PARTNERS, PRIOR TO THE CREATION OF THE FTAA. THE NEW URIBE  
TEAM IS REVIEWING THIS APPROACH, BUT IS VERY INTERESTED IN  
INCREASING U.S. INVESTMENT AND TRADE. THE SUSTAINED FALL IN  
WORLD COFFEE PRICES HAS HIT COLOMBIA, A MAJOR PRODUCER, HARD.  
WHILE BGTX THE INCOMING AND OUTGOING ADMINISTRATION REALIZE  
THAT THE RETURN OF (###)  
RESULT OF GUERRILLA ATTACKS. THIS SHUTDOWN RESULTED IN A .5

(##) GARBLED TEXT CORRECTIONS WILL FOLLOW

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PAGE 01 BOGOTA 06906 04 OF 06 051913Z  
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INFO	LOG-00	COR-01	NP-00	AID-00	AMAD-00	AEX-00	ACQ-00
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	EXME-00	OIGO-00	E-00	FAAE-00	UTED-00	VC-00	FRB-00
	H-01	TEDE-00	INR-00	IO-00	ITC-01	JUSE-00	L-00
	VCE-00	AC-01	NSAE-00	OES-01	OIC-02	OMB-01	OPIC-01
	PA-00	PER-00	PM-00	PRS-00	ACE-00	P-00	SP-00
	SSO-00	STR-00	TEST-00	TRSE-00	USIE-00	EPAE-00	PMB-00
	DSCC-00	PRM-00	DRL-02	G-00	NFAT-00	SAS-00	/012W

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FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC IMMEDIATE 0152  
DIRONDCP WASHDC IMMEDIATE  
NSC WASHINGTON DC IMMEDIATE  
INFO AMEMBASSY LA PAZ PRIORITY  
AMEMBASSY QUITO PRIORITY  
AMEMBASSY CARACAS PRIORITY  
AMEMBASSY LIMA PRIORITY  
AMEMBASSY BRASILIA PRIORITY  
AMEMBASSY PANAMA PRIORITY

Current Class: UNCLASSIFIED

Page: 11

UNCLASSIFIED

Current Class: UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 12  
Channel: n/a

USCINCSO MIAMI FL PRIORITY  
SECDEF WASHDC PRIORITY

UNCLAS SECTION 04 OF 06 BOGOTA 006906

C O R R E C T E D C O P Y - TEXT ON SECTION 04  
UNCLASSIFIED

PAGE 02 BOGOTA 06906 04 OF 06 051913Z

STATE PLS PASS USTR ZOELICK  
STATE FOR G, WHA, WHA/AND, PTER, INL, EB, DRL  
NSC FOR AMB. MAISTO  
ONDCP FOR DIR WALTERS

E.O. 12958: N/A  
TAGS: PREL, OVIP, SNAR, ECON, PGOV, ETRD, PHUM, CO  
SUBJECT: SCENESETTER: NEW CHALLENGES AND OPPORTUNITIES FOR  
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REVENUE-ENHANCING TAX REFORM WAS PASSED. THE ECONOMY WAS  
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Current Class: UNCLASSIFIED

Page: 12

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Current Class: UNCLASSIFIED UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 13

Channel: n/a

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INCREASING U.S. INVESTMENT AND TRADE: THE SUSTAINED FALL IN  
WORLD COFFEE PRICES HAS HIT COLOMBIA, A MAJOR PRODUCER, HARD.

WHILE BOTH THE INCOMING AND OUTGOING ADMINISTRATIONS REALIZE  
THAT THE RETURN OF MANAGED COFFEE PRICES IS IMPOSSIBLE, THE  
ONGOING EFFORTS WITHIN THE INTERNATIONAL COFFEE ORGANIZATION  
TO STABILIZE PRICES ARE OF GREAT INTEREST. THE URIBE  
ADMINISTRATION IS ALSO INTERESTED IN FOCUSING COLOMBIA'S  
PRODUCTION INTO MORE HIGH-VALUED COFFEES (GOURMET AND ORGANIC  
FOR EXAMPLE) AND INCREASING THE AMOUNT OF PROCESSING DONE IN  
COUNTRY.

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PAGE 04 BOGOTA 06906 04 OF 06 051913Z

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INVESTMENT ISSUES  
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14. COLOMBIA'S INVESTMENT REGIME, WHILE FORMALLY ADEQUATE, IS  
OF INCREASING CONCERN TO U.S. INVESTORS. THE INCOMING URIBE  
ADMINISTRATION HAS TOLD U.S. INVESTORS AND THE EMBASSY THAT  
IT INTENDS TO HONOR ALL EXISTING CONTRACTS, BUT OUR TWO MAJOR  
INVESTMENT DISPUTES, INVOLVING NORTEL AND SITHE ENERGY,  
REMAIN UNSOLVED. NORTEL'S CASE TOOK A POSITIVE TURN IN JUNE  
WHEN THE SUPREME COURT RULED IN ITS FAVOR, BUT IT HAS YET TO  
BE PAID. SITHE HAS CONTRACTED A NEW LOCAL ATTORNEY BUT THERE  
HAS BEEN LITTLE MOVEMENT ON THE CASE. BOTH COMPANIES HAVE  
FILED COMPLAINTS WITH USTR FOR THE GOC'S NON-COMPLIANCE WITH  
ATPA PROVISIONS REGARDING ARBITRAL AWARDS. THE AMBASSADOR  
AND EMBASSY STAFF HAVE STRESSED THE IMPORTANCE OF A QUICK  
RESOLUTION TO BOTH CASES TO THE INCOMING URIBE  
ADMINISTRATION. THE PASTRANA ADMINISTRATION EXPRESSED  
INTEREST IN A BILATERAL INVESTMENT TREATY, BUT DID NOT  
PRESENT A LIST OF PROPOSED EXEMPTIONS AS REQUESTED. URIBE'S  
TEAM HAS NOT MADE A DECISION REGARDING A BIT WITH THE U.S.

Current Class: UNCLASSIFIED

Page: 13

UNCLASSIFIED

Current Class: UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

UNCLASSIFIED

Page: 14

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THE PIPELINE AND THE FY 2002 SUPPLEMENTAL  
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15. OCCIDENTAL PETROLEUM AND ITS PARTNERS WERE FORCED TO SHUT  
DOWN THE CANO LIMON PIPELINE FOR SEVEN MONTHS IN 2001 AS A  
RESULT OF GUERRILLA ATTACKS. THIS SHUTDOWN RESULTED IN A .5

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PAGE 05            BOGOTA 06906 04 OF 06 051913Z

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PAGE 01            BOGOTA 06906 05 OF 06 051918Z  
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	DOEE-00	ITCE-00	DOTE-00	SRPP-00	DS-00	EB-00	EXME-00
	OIGO-00	E-00	FAAE-00	UTED-00	VC-00	FRB-00	H-01
	TEDE-00	INR-00	IO-00	ITC-01	JUSE-00	L-00	VCE-00
	AC-01	NSAE-00	OES-01	OIC-02	OMB-01	OPIC-01	PA-00
	PM-00	PRS-00	ACE-00	P-00	SP-00	IRM-00	SSO-00
	STR-00	TEST-00	TRSE-00	USIE-00	EPAE-00	PMB-00	DSCC-00
	PRM-00	DRL-02	G-00	NFAT-00	SAS-00	/012W	

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TO SECSTATE WASHDC IMMEDIATE 0153  
DIRONDCP WASHDC IMMEDIATE  
NSC WASHINGTON DC IMMEDIATE  
INFO AMEMBASSY LA PAZ PRIORITY  
AMEMBASSY QUITO PRIORITY  
AMEMBASSY CARACAS PRIORITY  
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AMEMBASSY BRASILIA PRIORITY  
AMEMBASSY PANAMA PRIORITY  
USCINCSO MIAMI FL PRIORITY  
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UNCLAS SECTION 05 OF 06 BOGOTA 006906

C O R R E C T E D C O P Y - TEXT ON SECTION 04  
UNCLASSIFIED

PAGE 02            BOGOTA 06906 05 OF 06 051918Z

Current Class: UNCLASSIFIED

Page: 14

UNCLASSIFIED

Current Class: UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 15

Channel: n/a

STATE PLS PASS USTR ZOELICK  
STATE FOR G, WHA, WHA/AND, PTER, INL, EB, DRL  
NSC FOR AMB. MAISTO  
ONDCP FOR DIR WALTERS

E.O. 12958: N/A  
TAGS: PREL, OVIP, SNAR, ECON, PGOV, ETRD, PHUM, CO  
SUBJECT: SCENESETTER: NEW CHALLENGES AND OPPORTUNITIES FOR  
COLOMBIA

PCT DROP IN GDP FOR THE YEAR. THE PIPELINE ATTACKS IN 2001  
ALSO CAUSED MAJOR ENVIRONMENTAL DAMAGE IN THE AREA. EACH  
ATTACKS CAUSED 7-8,000 BARRELS OF OIL TO SPILL, MAKING THE  
TOTAL SPILLED CONSIDERABLY GREATER THAN WHAT WAS LOST WITH  
THE EXXON VALDEZ. OCCIDENTAL AND ITS PARTNERS ARE WORKING  
WITH LOCAL OFFICIALS TO INCREASE ENFORCEMENT. A NEW DISTRICT  
ATTORNEY (FISCAL) AND MILITARY DISTRICT COMMANDER HAVE  
STEPPED UP ENFORCEMENT AND ATTACKS HAVE DROPPED, ALTHOUGH  
SOME ANALYSTS POSIT THAT THE FARC HAD ITS OWN INTERNAL AND  
POLITICAL REASONS FOR LIMITING THE ATTACKS ON THE PIPELINE.  
OCCIDENTAL AND ECOPETROL (COLOMBIA'S STATE OIL COMPANY) HAVE  
ALSO INCREASED THEIR EFFORTS TO PROVIDE SCHOOLS AND SERVICES  
TO COLOMBIANS LIVING ALONG THE PIPELINE. THE PROGRAMS  
INCLUDE CREDIT, HOUSING AND FARM ASSISTANCE. IN EARLY 2002,  
BOTH COMPANIES SIGNED AN ASSISTANCE AGREEMENT WITH THE  
MILITARY THAT PROVIDES FOR APPROXIMATELY FOR USD 8-9 MILLION  
PER YEAR IN NON-LETHAL ASSISTANCE. OCCIDENTAL IS ALSO WORKING  
WITH USAID TO DEVELOP BROADER PROGRAMS TO INCREASE THE NUMBER  
OF PEOPLE BENEFITING FROM THEIR SOCIAL RESPONSIBILITY

UNCLASSIFIED

PAGE 03            BOGOTA 06906 05 OF 06 051918Z  
PROGRAMS.

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INTELLECTUAL PROPERTY  
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16. ONE OF THE KEY U.S. TRADE CONCERNS WITH COLOMBIA IS  
INADEQUATE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS. AS A  
RESULT OF CONCERNS FROM BOTH THE AUDIO-VISUAL AND  
PHARMACEUTICAL INDUSTRIES, COLOMBIA WAS ELEVATED TO THE  
PRIORITY WATCH LIST IN THE 2002 "SPECIAL 301" REVIEW. THE  
PHARMACEUTICAL INDUSTRY'S MAIN CONCERNS ARE THE ABSENCE OF  
PROTECTION FOR "SECOND USE" OF PRODUCTS ORIGINALLY PATENTED  
FOR ANOTHER PURPOSE AND THE LACK OF CONFIDENTIALITY FOR TEST  
DATA FOR PRODUCTS THAT DO NOT ENJOY PATENT PROTECTION. THE  
AUDIO-VISUAL INDUSTRY COMPLAINS OF THE SLOWNESS IN THE  
SHUTDOWN OF ILLEGAL INFORMAL VIDEO NETWORKS AND OF ILLEGAL

Current Class: UNCLASSIFIED

Page: 15

UNCLASSIFIED

COPYING. THE SOFTWARE AND RECORDING INDUSTRY ARE ALSO CONCERNED ABOUT PIRATING. THE PASTRANA ADMINISTRATION CONSISTENTLY ARGUED THAT IT WAS IN COMPLIANCE WITH ITS TRIPS REQUIREMENTS ON PATENTS. IT ALSO ARGUED THAT ENFORCEMENT EFFORTS AGAINST PIRACY WERE HAMPERED BY THE LIMITED AVAILABILITY OF RESOURCES. EMBASSY OFFICIALS HAVE RAISED THE IMPORTANCE OF IPR ISSUES WITH THE INCOMING MINISTER OF COMMERCE, ESPECIALLY THEIR IMPACT ON ELIGIBILITY FOR ENHANCED ATPA.

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COLOMBIAN BARRIERS TO U.S. AGRICULTURAL PRODUCTS  
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PAGE 04 BOGOTA 06906 05 OF 06 051918Z

17. ALTHOUGH COLOMBIA IS AN IMPORTANT REGIONAL MARKET OVERALL, U.S. AGRICULTURAL PRODUCTS SUFFER FROM A NUMBER OF BARRIERS, WHICH THE EMBASSY HAS REPEATEDLY RAISED WITH THE GOC. THESE ISSUES HAVE ALSO BEEN RAISED WITH THE INCOMING AGRICULTURAL AND COMMERCE MINISTERS. THEY ARE:

-- VARIABLE DUTIES UNDER THE ANDEAN COMMUNITY PRICE BAND SYSTEM: THESE ARE APPLIED TO SEVERAL BASIC COMMODITIES INCLUDING WHITE RICE, MALTED BARLEY, WHITE AND YELLOW CORN, WHEAT AND CHICKEN PARTS. THE ANDEAN COMMUNITY HAS THE DISCRETION TO RAISE TARIFFS WITHIN THESE BANDS TO RESTRAIN IMPORTS, A PRACTICE WHICH THE USG CONSIDERS INCONSISTENT WITH COLOMBIA'S WTO OBLIGATIONS.

-- ABSORPTION AGREEMENTS: FOR A NUMBER OF PRODUCTS, INCLUDING CORN, WHEAT, SORGHUM, RICE, MALTED BARLEY AND POULTRY MEAT, THE GOC REQUIRES IMPORTERS TO ALSO PURCHASE SET QUANTITIES OF LOCAL PRODUCTION. THIS IS WTO-INCONSISTENT. COLOMBIA HAS RECEIVED TEMPORARY EXEMPTION FROM WTO DISCIPLINES, AND HAS PLEDGED TO END ABSORPTION REQUIREMENTS BY 2003. THE URIBE ADMINISTRATION INTENDS TO HONOR THIS COMMITMENT.

-- IMPORT LICENSES: MOST AGRICULTURAL PRODUCTS (INCLUDING WHOLE CHICKENS AND TURKEYS, POULTRY PARTS AND MILK) REQUIRE MINISTRY OF AGRICULTURE APPROVAL PRIOR TO THE ISSUANCE OF AN IMPORT LICENSE BY THE MINISTRY OF FOREIGN TRADE. LICENSES CAN BE REFUSED WHENEVER THE MINISTRY OF AGRICULTURE DETERMINES THAT DOMESTIC SUPPLIES ARE SUFFICIENT TO COVER

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Current Class: UNCLASSIFIED UNCLASSIFIED  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 17

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PAGE 05 BOGOTA 06906 05 OF 06 051918Z

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PAGE 01 BOGOTA 06906 06 OF 06 051920Z  
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	G-00	NEAT-00	SAS-00	/012W			

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UNCLAS SECTION 06 OF 06 BOGOTA 006906

C O R R E C T E D C O P Y - TEXT ON SECTION 04  
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PAGE 02 BOGOTA 06906 06 OF 06 051920Z

STATE PLS PASS USTR ZOELICK  
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Current Class: UNCLASSIFIED

Page: 17

UNCLASSIFIED

Current Class: UNCLASSIFIED **UNCLASSIFIED**  
Current Handling: n/a  
Document Number: 2002BOGOTA06906

Page: 18

Channel: n/a

LOCAL DEMAND OR THAT SUCH IMPORTS WOULD DAMAGE LOCAL  
PRODUCTION.

-- APTA CONCERNS: THE CONFERENCE REPORT FOR THE APTA  
SPECIFICALLY MENTIONS THE PRICE BAND SYSTEM COLOMBIA APPLIES  
TO BASIC AGRICULTURAL PRODUCTS AND MENTIONS COLOMBIA'S  
FAILURE TO HONOR ITS WTO AGREEMENT TO REMOVE THE PRICE BAND  
FOR WET PET FOODS. THE REPORT STATES ITS INTENT THAT USTR  
SHOULD INSIST THAT COLOMBIA HONOR THIS AGREEMENT.

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PAGE 03            BOGOTA   06906   06 OF 06   051920Z

UNCLASSIFIED

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Current Class: UNCLASSIFIED

Page: 18

**UNCLASSIFIED**